
SENATE BILL 5629

State of Washington

57th Legislature

2001 Regular Session

By Senators Patterson and Horn; by request of Office of Financial Management

Read first time 01/29/2001. Referred to Committee on State & Local Government.

1 AN ACT Relating to the office of financial management's budgeting,
2 accounting, and reporting requirements for state agencies; amending RCW
3 43.88.160, 79.44.040, 79.44.050, 79.44.070, 79.44.080, and 79.44.140;
4 and repealing RCW 79.44.180.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 43.88.160 and 1998 c 135 s 1 are each amended to read
7 as follows:

8 This section sets forth the major fiscal duties and
9 responsibilities of officers and agencies of the executive branch. The
10 regulations issued by the governor pursuant to this chapter shall
11 provide for a comprehensive, orderly basis for fiscal management and
12 control, including efficient accounting and reporting therefor, for the
13 executive branch of the state government and may include, in addition,
14 such requirements as will generally promote more efficient public
15 management in the state.

16 (1) Governor; director of financial management. The governor,
17 through the director of financial management, shall devise and
18 supervise a modern and complete accounting system for each agency to
19 the end that all revenues, expenditures, receipts, disbursements,

1 resources, and obligations of the state shall be properly and
2 systematically accounted for. The accounting system shall include the
3 development of accurate, timely records and reports of all financial
4 affairs of the state. The system shall also provide for central
5 accounts in the office of financial management at the level of detail
6 deemed necessary by the director to perform central financial
7 management. The director of financial management shall adopt and
8 periodically update an accounting procedures manual. Any agency
9 maintaining its own accounting and reporting system shall comply with
10 the updated accounting procedures manual and the rules of the director
11 adopted under this chapter. An agency may receive a waiver from
12 complying with this requirement if the waiver is approved by the
13 director. Waivers expire at the end of the fiscal biennium for which
14 they are granted. The director shall forward notice of waivers granted
15 to the appropriate legislative fiscal committees. The director of
16 financial management may require such financial, statistical, and other
17 reports as the director deems necessary from all agencies covering any
18 period.

19 (2) Except as provided in chapter 43.88C RCW, the director of
20 financial management is responsible for quarterly reporting of primary
21 operating budget drivers such as applicable workloads, caseload
22 estimates, and appropriate unit cost data. These reports shall be
23 transmitted to the legislative fiscal committees or by electronic means
24 to the legislative evaluation and accountability program committee.
25 Quarterly reports shall include actual monthly data and the variance
26 between actual and estimated data to date. The reports shall also
27 include estimates of these items for the remainder of the budget
28 period.

29 (3) The director of financial management shall report at least
30 annually to the appropriate legislative committees regarding the status
31 of all appropriated capital projects, including transportation
32 projects, showing significant cost overruns or underruns. If funds are
33 shifted from one project to another, the office of financial management
34 shall also reflect this in the annual variance report. Once a project
35 is complete, the report shall provide a final summary showing estimated
36 start and completion dates of each project phase compared to actual
37 dates, estimated costs of each project phase compared to actual costs,
38 and whether or not there are any outstanding liabilities or unsettled
39 claims at the time of completion.

1 (4) In addition, the director of financial management, as agent of
2 the governor, shall:

3 (a) Develop and maintain a system of internal controls and internal
4 audits comprising methods and procedures to be adopted by each agency
5 that will safeguard its assets, check the accuracy and reliability of
6 its accounting data, promote operational efficiency, and encourage
7 adherence to prescribed managerial policies for accounting and
8 financial controls. The system developed by the director shall include
9 criteria for determining the scope and comprehensiveness of internal
10 controls required by classes of agencies, depending on the level of
11 resources at risk.

12 Each agency head or authorized designee shall be assigned the
13 responsibility and authority for establishing and maintaining internal
14 audits following the standards of internal auditing of the institute of
15 internal auditors;

16 (b) Make surveys and analyses of agencies with the object of
17 determining better methods and increased effectiveness in the use of
18 manpower and materials; and the director shall authorize expenditures
19 for employee training to the end that the state may benefit from
20 training facilities made available to state employees;

21 (c) Establish policies for allowing the contracting of child care
22 services;

23 (d) Report to the governor with regard to duplication of effort or
24 lack of coordination among agencies;

25 (e) Review any pay and classification plans, and changes
26 thereunder, developed by any agency for their fiscal impact: PROVIDED,
27 That none of the provisions of this subsection shall affect merit
28 systems of personnel management now existing or hereafter established
29 by statute relating to the fixing of qualifications requirements for
30 recruitment, appointment, or promotion of employees of any agency. The
31 director shall advise and confer with agencies including appropriate
32 standing committees of the legislature as may be designated by the
33 speaker of the house and the president of the senate regarding the
34 fiscal impact of such plans and may amend or alter (~~said~~) the plans,
35 except that for the following agencies no amendment or alteration of
36 (~~said~~) the plans may be made without the approval of the agency
37 concerned: Agencies headed by elective officials;

38 (f) Fix the number and classes of positions or authorized (~~man~~)
39 employee years of employment for each agency and during the fiscal

1 period amend the determinations previously fixed by the director except
2 that the director shall not be empowered to fix (~~said~~) the number or
3 (~~said~~) the classes for the following: Agencies headed by elective
4 officials;

5 (g) Adopt rules to effectuate provisions contained in (a) through
6 (f) of this subsection.

7 (5) The treasurer shall:

8 (a) Receive, keep, and disburse all public funds of the state not
9 expressly required by law to be received, kept, and disbursed by some
10 other persons: PROVIDED, That this subsection shall not apply to those
11 public funds of the institutions of higher learning which are not
12 subject to appropriation;

13 (b) Receive, disburse, or transfer public funds under the
14 treasurer's supervision or custody;

15 (c) Keep a correct and current account of all moneys received and
16 disbursed by the treasurer, classified by fund or account;

17 (d) Coordinate agencies' acceptance and use of credit cards and
18 other payment methods, if the agencies have received authorization
19 under RCW 43.41.180;

20 (e) Perform such other duties as may be required by law or by
21 regulations issued pursuant to this law.

22 It shall be unlawful for the treasurer to disburse public funds in
23 the treasury except upon forms or by alternative means duly prescribed
24 by the director of financial management. These forms or alternative
25 means shall provide for authentication and certification by the agency
26 head or the agency head's designee that the services have been rendered
27 or the materials have been furnished; or, in the case of loans or
28 grants, that the loans or grants are authorized by law; or, in the case
29 of payments for periodic maintenance services to be performed on state
30 owned equipment, that a written contract for such periodic maintenance
31 services is currently in effect (~~and copies thereof are on file with~~
32 ~~the office of financial management~~); and the treasurer shall not be
33 liable under the treasurer's surety bond for erroneous or improper
34 payments so made. When services are lawfully paid for in advance of
35 full performance by any private individual or business entity other
36 than equipment maintenance providers or as provided for by RCW
37 42.24.035, such individual or entity other than central stores
38 rendering such services shall make a cash deposit or furnish surety
39 bond coverage to the state as shall be fixed in an amount by law, or if

1 not fixed by law, then in such amounts as shall be fixed by the
2 director of the department of general administration but in no case
3 shall such required cash deposit or surety bond be less than an amount
4 which will fully indemnify the state against any and all losses on
5 account of breach of promise to fully perform such services. No
6 payments shall be made in advance for any equipment maintenance
7 services to be performed more than (~~three~~) twelve months after such
8 payment. Any such bond so furnished shall be conditioned that the
9 person, firm or corporation receiving the advance payment will apply it
10 toward performance of the contract. The responsibility for recovery of
11 erroneous or improper payments made under this section shall lie with
12 the agency head or the agency head's designee in accordance with
13 regulations issued pursuant to this chapter. Nothing in this section
14 shall be construed to permit a public body to advance funds to a
15 private service provider pursuant to a grant or loan before services
16 have been rendered or material furnished.

17 (6) The state auditor shall:

18 (a) Report to the legislature the results of current post audits
19 that have been made of the financial transactions of each agency; to
20 this end the auditor may, in the auditor's discretion, examine the
21 books and accounts of any agency, official, or employee charged with
22 the receipt, custody, or safekeeping of public funds. Where feasible
23 in conducting examinations, the auditor shall utilize data and findings
24 from the internal control system prescribed by the office of financial
25 management. The current post audit of each agency may include a
26 section on recommendations to the legislature as provided in (c) of
27 this subsection.

28 (b) Give information to the legislature, whenever required, upon
29 any subject relating to the financial affairs of the state.

30 (c) Make the auditor's official report on or before the thirty-
31 first of December which precedes the meeting of the legislature. The
32 report shall be for the last complete fiscal period and shall include
33 determinations as to whether agencies, in making expenditures, complied
34 with the laws of this state. The state auditor is authorized to
35 perform or participate in performance verifications and performance
36 audits as expressly authorized by the legislature in the omnibus
37 biennial appropriations acts or in the performance audit work plan
38 approved by the joint legislative audit and review committee. The
39 state auditor, upon completing an audit for legal and financial

1 compliance under chapter 43.09 RCW or a performance verification, may
2 report to the joint legislative audit and review committee or other
3 appropriate committees of the legislature, in a manner prescribed by
4 the joint legislative audit and review committee, on facts relating to
5 the management or performance of governmental programs where such facts
6 are discovered incidental to the legal and financial audit or
7 performance verification. The auditor may make such a report to a
8 legislative committee only if the auditor has determined that the
9 agency has been given an opportunity and has failed to resolve the
10 management or performance issues raised by the auditor. If the auditor
11 makes a report to a legislative committee, the agency may submit to the
12 committee a response to the report. This subsection (6) shall not be
13 construed to authorize the auditor to allocate other than de minimis
14 resources to performance audits except as expressly authorized in the
15 appropriations acts or in the performance audit work plan. The results
16 of a performance audit conducted by the state auditor that has been
17 requested by the joint legislative audit and review committee must only
18 be transmitted to the joint legislative audit and review committee.

19 (d) Be empowered to take exception to specific expenditures that
20 have been incurred by any agency or to take exception to other
21 practices related in any way to the agency's financial transactions and
22 to cause such exceptions to be made a matter of public record,
23 including disclosure to the agency concerned and to the director of
24 financial management. It shall be the duty of the director of
25 financial management to cause corrective action to be taken within six
26 months, such action to include, as appropriate, the withholding of
27 funds as provided in RCW 43.88.110. The director of financial
28 management shall annually report by December 31st the status of audit
29 resolution to the appropriate committees of the legislature, the state
30 auditor, and the attorney general. The director of financial
31 management shall include in the audit resolution report actions taken
32 as a result of an audit including, but not limited to, types of
33 personnel actions, costs and types of litigation, and value of recouped
34 goods or services.

35 (e) Promptly report any irregularities to the attorney general.

36 (f) Investigate improper governmental activity under chapter 42.40
37 RCW.

38 (7) The joint legislative audit and review committee may:

1 (a) Make post audits of the financial transactions of any agency
2 and management surveys and program reviews as provided for in chapter
3 44.28 RCW as well as performance audits and program evaluations. To
4 this end the joint committee may in its discretion examine the books,
5 accounts, and other records of any agency, official, or employee.

6 (b) Give information to the legislature or any legislative
7 committee whenever required upon any subject relating to the
8 performance and management of state agencies.

9 (c) Make a report to the legislature which shall include at least
10 the following:

11 (i) Determinations as to the extent to which agencies in making
12 expenditures have complied with the will of the legislature and in this
13 connection, may take exception to specific expenditures or financial
14 practices of any agencies; and

15 (ii) Such plans as it deems expedient for the support of the
16 state's credit, for lessening expenditures, for promoting frugality and
17 economy in agency affairs, and generally for an improved level of
18 fiscal management.

19 **Sec. 2.** RCW 79.44.040 and 1989 c 243 s 14 are each amended to read
20 as follows:

21 Notice of the intention to make such improvement, or impose any
22 assessment, together with the estimate of the amount to be charged to
23 each lot, tract or parcel of land, or other property owned by the state
24 to be assessed, shall be forwarded by registered or certified mail to
25 the ((director of financial management and to the)) chief
26 administrative officer of the agency of state government occupying,
27 using, or having jurisdiction over such lands at least thirty days
28 prior to the date fixed for hearing on the resolution or petition
29 initiating ((said)) the assessment. Such assessing district, shall not
30 have jurisdiction to order such improvement as to the interest of the
31 state in harbor areas and state tidelands until the written consent of
32 the commissioner of public lands to the making of such improvement
33 shall have been obtained, unless other means be provided for paying
34 that portion of the cost which would otherwise be levied on the
35 interest of the state of Washington in and to ((said)) those tidelands,
36 and nothing herein shall prevent the city from assessing the
37 proportionate cost of ((said)) the improvement against any leasehold,
38 contractual, or possessory interest in and to any tideland or harbor

1 area owned by the state: PROVIDED, HOWEVER, That in the case of
2 tidelands and harbor areas within the boundaries of any port district,
3 notice of intention to make such improvement shall also be forwarded to
4 the commissioners of (~~said~~) the port district.

5 **Sec. 3.** RCW 79.44.050 and 1989 c 243 s 15 are each amended to read
6 as follows:

7 Upon the approval and confirmation of the assessment roll ordered
8 by the proper authorities of any assessing district, the treasurer of
9 such assessing district shall certify and forward (~~to the director of~~
10 ~~financial management and~~) to the chief administrative officer of the
11 agency of state government occupying, using, or having jurisdiction
12 over the lands, (~~in accordance with such rules and regulations as the~~
13 ~~director of financial management may provide,~~) a statement of all the
14 lots or parcels of land held or owned by the state and charged on such
15 assessment roll, separately describing each such lot or parcel of the
16 state's land, with the amount of the local assessment charged against
17 it, or the proportionate amount assessed against the fee simple
18 interest of the state, in case (~~said~~) the land has been leased. The
19 chief administrative officer upon receipt of such statement shall cause
20 a proper record to be made in his office of the cost of such assessment
21 upon the lands occupied, used, or under the jurisdiction of his agency.

22 No penalty shall be provided or enforced against the state, and the
23 interest upon such assessments shall be computed and paid at the rate
24 paid by other property situated in the same assessing district.

25 **Sec. 4.** RCW 79.44.070 and 1979 c 151 s 180 are each amended to
26 read as follows:

27 When any assessing district has made or caused to be made an
28 assessment against such leasehold, contractual, or possessory interest
29 for any such local improvement, the treasurer of (~~said~~) that
30 assessing district shall immediately give notice (~~to the director of~~
31 ~~financial management and~~) to the chief administrative officer of the
32 agency having jurisdiction over the lands. (~~Said~~) The assessment
33 shall become a lien against the leasehold, contractual, or possessory
34 interest in the same manner as the assessments on other property, and
35 its collection may be enforced against such interests as provided by
36 law for the enforcement of other local improvement assessments:
37 PROVIDED, That (~~said~~) the assessment shall not be made payable in

1 installments unless the owner of such leasehold, contractual, or
2 possessory interest shall first file with such treasurer a satisfactory
3 bond guaranteeing the payment of such installments as they become due.

4 **Sec. 5.** RCW 79.44.080 and 1979 c 151 s 181 are each amended to
5 read as follows:

6 Whenever any assessing district shall have foreclosed the lien of
7 any such delinquent assessments, as provided by law, and shall have
8 obtained title to such leasehold, contractual, or possessory interest,
9 (~~the director of financial management and~~) the chief administrative
10 officer of the agency having jurisdiction over the lands shall be
11 notified by registered or certified mail of such action and furnished
12 a statement of all assessments against such leasehold, contractual, or
13 possessory interest, and the chief administrative officer (~~or director~~
14 ~~of financial management~~) shall cause the amount of such assessments to
15 be paid as provided in RCW 79.44.060, and upon the receipt of an
16 assignment from such assessing district, the chief administrative
17 officer shall cancel such lease or contract: PROVIDED, HOWEVER, That
18 unless the assessing district making (~~said~~) the local improvement and
19 levying (~~said~~) the special assessment shall have used due diligence
20 in the foreclosure thereof, the chief administrative officer (~~and the~~
21 ~~director of financial management~~) shall not be required to pay any sum
22 in excess of what they deem to be the special benefits accruing to the
23 state's reversionary interest in (~~said~~) the property: AND PROVIDED
24 FURTHER, That if such delinquent assessment or installment shall be
25 against a leasehold interest in fresh water harbor areas within a port
26 district, the chief administrative officer shall notify the
27 commissioners of (~~said~~) that port district of the receipt of such
28 assignment, and (~~said~~) the commissioners shall forthwith cancel such
29 lease.

30 **Sec. 6.** RCW 79.44.140 and 1979 c 151 s 182 are each amended to
31 read as follows:

32 The provisions of this chapter shall apply to all local
33 improvements initiated after June 11, 1919, including assessments to
34 pay the cost and expense of taking and damaging property by the power
35 of eminent domain, as provided by law: PROVIDED, That in case of
36 eminent domain assessments, it shall not be necessary to forward notice
37 of the intention to make such improvement, but the eminent domain

1 commissioners, authorized to make such assessment, shall, at the time
2 of filing the assessment roll with the court in the manner provided by
3 law, forward by registered or certified mail (~~(to the director of~~
4 ~~financial management and~~)) to the chief administrative officer of the
5 agency using, occupying or having jurisdiction over the lands a notice
6 of such assessment, and of the day fixed by the court for the hearing
7 thereof: PROVIDED, That no assessment against the state's interest in
8 tidelands or harbor areas shall be binding against the state if the
9 commissioner of public lands shall file a disapproval of the same in
10 court before judgment confirming the roll.

11 NEW SECTION. **Sec. 7.** RCW 79.44.180 (Director of financial
12 management to adopt rules and regulations) and 1979 c 151 s 183 & 1963
13 c 20 s 14 are each repealed.

--- END ---